

Message Text

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17-12

ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 SCI-06 SCEM-02 INT-08 AF-10 DRC-01 (ISO) W

----- 092711

R 110339Z DEC 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8281

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMXMBASSY LONDON 1675

AMEMBASSY MANAMA

AMEMBASSY DOHA POUCH

AMEMBASSY MUSCAT POUCH

C O N F I D E N T I A L KUWAIT 4307

E.O. 11652: GDS

TAGS: ECON ENRG EFIN QA

SUBJ: OCTOBER WAR AND PRODUCTION CUTS BEGINNING AFFECT QATAR'S
ECONOMY

REF: 1) KUWAIT 4201; 2) KUWAIT 4282; 3) KUWAIT 4273

SUMMARY: AMIR OF QATAR CURRENTLY SLOWING DOWN GROWTH QATAR'S
ECONOMY. THERE SEVERAL THEORIES FOR REASONS BEHIND THIS ACTION,
BUT EMBASSY BELIEVES MOST LIKELY IS THAT AMIR IS UNCERTAIN ABOUT
FUTURE COURSE EVENTS IN MIDDLE EAST AND WANTS BE ABLE MEET FUTURE
CONTINGENCIES WITH AVAILABLE RESOURCES RATHER THAN BY DRAWING DOWN
RESERVES. WE BELIEVE CLASH OF QATAR'S INTEREST WITH THAT OF
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"ARAB CAUSE" MIGHT BECOME UNBEARABLE IF PETROLEUM PRODUCTION CUT

REACHES 50 PERCENT, AT WHICH POINT AMIR PROBABLY WOULD CALL HALT FURTHER PRODUCTION CUT.

1. QATAR'S RULER, SHAIKH KHALIFA AL-THANI, APPEARS BE INTENTION-ALLY PULLING IN REINS OF QATAR'S EXPANDING ECONOMY. FACTS OF MATTER FAIRLY CLEAR; EXPLANATION OF REASONS BEHIND TIGHTENING CONSIDERABLY LESS CLEAR.

2. FACT IS THAT COINCIDENT WITH OUTBREAK OCTOBER WAR, DEVELOPMENT EXPENDITURES IN QATAR BEGAN GRINDING TO NEAR HALT. NEW PROJECTS IN PLANNING STAGE BEING HELD IN SUSPENSION; DEADLINES OF PROJECTS AT OR NEAR TENDER STAGE BEING EXTENDED, AND PAYMENTS FOR PROJECTS UNDER WAY BEING DELAYED. AS RESULT, APPEARS THAT LAY-OFFS BE-GINNING OCCUR CERTAIN KEY SECTORS, NOTABLY CONSTRUCTION INDUSTRY. KNOWLEDGEABLE SOURCES SAY ALL SIGNS POINT TO AT LEAST SIX MONTHS ECONOMIC SLOW-DOWN.

3. THERE SEVERAL THEORIES FLOATING IN DOHA RE MOTIVE BEHIND SLOW-DOWN. TWO ARE (1) KHALIFA IS TAKING CURRENT MIDEAST SITUATION VERY SERIOUSLY AND WANTS CREATE ATMOSPHERE HARDSHIP AND AUSTERITY, AND (2) KHALIFA SEES HE HAS BEEN BURNED ON SEVERAL KEY PROJECTS, TO BENEFIT OF SEVERAL KEY ADVISORS AND OTHER QATARIS, AND HE CALLING MORATORIUM FURTHER DEVELOPMENT EXPENDITURES IN ORDER TAKE STOCK AND, PERHAPS, ELIMINATE MOST FLAGRANT PROFIT-TAKERS. SURELY THERE IS TRUTH IN BOTH THESE THEORIES, BUT WE DO NOT THINK EITHER OR BOTH JUSTIFY, BY THEMSELVES, LENGTHS TO WHICH KHALIFA APPARENTLY GOING.

4. THIRD THEORY IS KHALIFA SAVING HIS MONEY IN ANTICIPATION RENEWED OUTBREAK FIGHTING WHICH MIGHT REQUIRE LARGE FINANCIAL CONTRIBUTIONS, AND HE WANTS CASH AVAILABLE SO HE WILL NOT HAVE TO DIP INTO RESERVES. FINALLY THERE IS "CASH FLOW" THEORY THAT \$80 MILLION CONTRIBUTION TO AR EFFORT (REF 1) TEMPORARILY EMPTIED PETTY CASH BOX, AND KHALIFA REFUSES EITHER BORROW OR LIQUIDATE RESERVES. BOTH THESE THEORIES LEAN HEAVILY ON KHALIFA'S KNOWN FINANCIAL CONSERVATISM, AND PROPONENTS CASH FLOW THEORY POINT OUT THAT \$80 MILLION WAR CONTRIBUTION VERY CLOSE TO \$92 MILLION BUDGETED THIS YEAR FOR CAPITAL PROJECTS.

5. WE BELIEVE OCTOBER WAR CLEARLY UPSET BOTH KHALIFA AND HIS
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PLANS. AS REPORTED REF 2, HE FEELS DEEPLY ABOUT ARAB CAUSE, BUT HE ALSO COMMITTED TO DEVELOPMENT HIS COUNTRY. THIS, COUPLED WITH HIS INGRAINED CONSERVATISM HAS PRESENTED PROBLEM PRIORITIES AND ALLOCATION RESOURCES WHICH HE WANTS TIME WORK OUT. FURTHER, HE INDEED UPSET OVER MINOR SCANDALS SOME PROJECTS, AND HE UNCERTAIN RE FUTURE FINANCIAL DEMANDS ARAB "BRETHREN".

6. FY 74 (ROUGHLY CORRESPONDING OUR CALENDAR 74) BUDGET CURRENTLY

IN PREPARATION AND, AS USUAL, DETAILS ARE STATE SECRET. WE
UNDERSTAND, HOWEVER, REVENUES WILL BE BUDGETED IN NEIGHBORHOOD
\$600 MILLION, COMPARED WITH \$350 MILLION THIS YEAR. THUS, KHALIFA
WILL BE ABLE EMERGE FROM DILEMMA WITHOUT AFFECTING FINANCIAL
RESERVES (SEE REF 3) ONLY IF PETROLEUM PRODUCTION CUTS DO NOT
GO BELOW 50 PERCENT AND THERE NO FURTHER DEMANDS ON HIS TREASURY
FROM OTHER ARAB STATES. EVEN A 50 PERCENT REDUCTION WOULD UPSET
HIS PLANS, SINCE IT WOULD HOLD NEXT YEAR'S REVENUE TO APPROX
LEVEL THIS YEAR'S EXPENDITURE, WITHOUT RESERVE ALLOCATION, AND
WE THEREFORE BELIEVE THIS IS WORST HE WOULD BE WILLING LIVE WITH
VOLUNTARILY.
STOLTZFUS

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